GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:384
ANSWERED ON:01.03.2002
BAN ON INVESTMENT BY OCB
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government are considering banning of investments by Overseas Corporate Bodies in Indian companies and the stock market;

(b) if so, the details thereof;

(c) whether the Government have assessed the effect of it on Indian stock market and on the small investors;

(d) if so, the details thereof;

(e) the steps being taken to monitor flow of funds through the OCB route;

(f) whether the Government have set up any high level committee in this regard;

(g) if so, the recommendations made by the committee; and (h) the action taken by the Government on the recommendations of high level committee?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (BALASAHEB VIKHE PATIL)

(a) to (h) : Securities and Exchange Board of India (SEBI) has intimated that during the course of preliminary investigations by SEB into recently reported market manipulations, indications of use of certain Overseas Corporate Bodies (OCBs) for circular trading, concentration of holding, parking of shares by a few stock brokers were noticed. Further investigations into the role of OCBs in possible price manipulation, violation of SEBI (Substantial Acquisition of shares and Takeover) Regulations etc. are in progress.

The issues regarding possible misuse of the Portfolio Investment Scheme (PIS) by certain OCBs was considered by the High Leve Committee on Financial and Capital Markets and in the light of recommendations made by the Committee it has been decided that with effect from 29.11.2001, OCBs shall not be permitted to invest under the PIS in India.